

**Bath Charter Township  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**December 31, 2007**

Bath Charter Township  
Clinton County, Michigan  
December 31, 2007

BOARD OF TRUSTEES AND ADMINISTRATION

Roni Christmas	Supervisor
Kathleen McQueen	Clerk
Steve Wiswasser	Treasurer
Clark Losey	Trustee
Mike Creed	Trustee
Joel Gutzki	Trustee
Adam Stacey	Trustee
Troy Feltman	Superintendent

Bath Charter Township

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December 31, 2007

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Bath Charter Township  
Bath, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Bath Charter Township, Michigan as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Bath Charter Township, Michigan as of December 31, 2007, and the respective changes in financial position, and where applicable cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bath Charter Township's basic financial statements. The accompanying other supplementary information, as identified in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 11, 2008

Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the Township's financial statements.

**Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2007:

- Property tax revenues, our largest revenue source in the General Fund, increased approximately \$265,063 from the prior year. The increase is the net result of an increase in the true cash value of real and personal properties in the Township.
- Total fund balances related to the Township's governmental funds increased by \$144,499.

**Using this Annual Report**

This discussion and analysis is intended to serve as an introduction to Bath Charter Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The statement of net assets and the statement of activities provide information about the activities of Bath Charter Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

**Fund Financial Statements.** The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of Bath Charter Township in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which Bath Charter Township acts solely as a trustee or agent for the benefit of those outside the government.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

# Bath Charter Township

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

Bath Charter Township maintains nine (9) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Other Supplementary Information section of this report.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

**Proprietary Funds.** Bath Charter Township maintains three (3) proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its sewer system and water system activity. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the Township's various functions. Bath Charter Township uses an Internal Service Fund to account for potential future employee sick and vacation payouts. Because the services provided by employees of the Township predominantly benefit governmental rather than business-type functions, the activities of the Internal Service Fund have been included within governmental activities in the government-wide financial statements.

**Fiduciary Funds.** Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-26 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this MD&A and the General Fund budgetary comparison schedule. Combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information.

### The Township as a Whole

The following table shows, in a condensed format, the net assets as of December 31, 2007 and 2006.

	Governmental Activities December 31		Business-type Activities December 31		Totals December 31	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current and other assets	\$ 5,075,002	\$ 4,612,389	\$ 4,833,819	\$ 4,276,958	\$ 9,908,821	\$ 8,889,347
Capital assets, net	<u>3,770,166</u>	<u>3,717,040</u>	<u>6,177,290</u>	<u>6,338,657</u>	<u>9,947,456</u>	<u>10,055,697</u>
Total assets	8,845,168	8,329,429	11,011,109	10,615,615	19,856,277	18,945,044
<b>Liabilities</b>						
Current liabilities	1,449,153	216,026	509,384	296,305	1,958,537	512,331
Noncurrent liabilities	<u>951,355</u>	<u>1,852,504</u>	<u>3,655,194</u>	<u>3,945,017</u>	<u>4,606,549</u>	<u>5,797,521</u>
Total liabilities	2,400,508	2,068,530	4,164,578	4,241,322	6,565,086	6,309,852
<b>Net Assets</b>						
Invested in capital assets net of related debt	2,742,791	2,698,473	3,657,955	4,037,220	6,400,746	6,735,693
Restricted	46,749	220,431	-	-	46,749	220,431
Unrestricted	<u>3,655,120</u>	<u>3,341,995</u>	<u>3,188,576</u>	<u>2,337,073</u>	<u>6,843,696</u>	<u>5,679,068</u>
	<u>\$ 6,444,660</u>	<u>\$ 6,260,899</u>	<u>\$ 6,846,531</u>	<u>\$ 6,374,293</u>	<u>\$ 13,291,191</u>	<u>\$ 12,635,192</u>

# Bath Charter Township

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

Net assets may serve over time as a useful indicator of a government's financial position. Bath Charter Township's assets exceeded liabilities by \$13,291,191 as of December 31, 2007. A significant portion of the Township's net assets (48 percent) reflects its investment in capital assets (e.g., land, buildings, equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (less than 1 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$6,843,696) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The Township's net assets increased by \$540,179 during the current year as discussed below.

	Governmental Activities December 31		Business-type Activities December 31		Totals December 31	
	2007	2006	2007	2006	2007	2006
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 458,105	\$ 540,583	\$ 1,224,775	\$ 1,386,839	\$ 1,682,880	\$ 1,927,422
Operating grants and contributions	7,622	2,377	-	-	7,622	2,377
Capital grants and contributions	63,762	58,592	5,086	827,318	68,848	885,910
General revenue:						
Property taxes	2,090,106	2,269,990	-	-	2,090,106	2,269,990
State shared revenue	561,490	561,210	-	-	561,490	561,210
Investment earnings	126,546	137,109	113,629	74,913	240,175	212,022
Equity interest in SCCMUA	-	-	248,836	( 119,239 )	248,836	( 119,239 )
Refund of reserve payment to SCCMUA	-	-	80,202	232,000	80,202	232,000
Miscellaneous	16,580	38,042	50,089	8,118	66,669	46,160
<b>Total revenue</b>	<b>3,324,211</b>	<b>3,607,903</b>	<b>1,722,617</b>	<b>2,409,949</b>	<b>5,046,828</b>	<b>6,017,852</b>
<b>Program Expenses</b>						
General government	1,094,402	934,269	-	-	1,094,402	934,269
Public safety	1,574,985	1,471,257	-	-	1,574,985	1,471,257
Public works	478,152	390,197	-	-	478,152	390,198
Recreation and cultural	54,277	50,817	-	-	54,277	50,817
Sewer system	-	-	1,245,379	1,155,043	1,245,379	1,155,043
Water system	-	-	5,000	-	5,000	-
Interest on long-term debt	54,454	55,707	-	-	54,454	55,707
<b>Total program expenses</b>	<b>3,256,270</b>	<b>2,902,247</b>	<b>1,250,379</b>	<b>1,155,043</b>	<b>4,506,649</b>	<b>4,057,291</b>
<b>Change in Net Assets</b>	<b>\$ 67,941</b>	<b>\$ 705,656</b>	<b>\$ 472,238</b>	<b>\$ 1,254,906</b>	<b>\$ 540,179</b>	<b>\$ 1,960,561</b>

### Governmental Activities

Governmental activities increased the Township's net assets by \$67,941 during fiscal year 2007. Key elements of this increase are as follows:

The Township's governmental activities' revenues totaled \$3,324,211 with the greatest revenue source being property taxes. Property taxes make up approximately 63% of total governmental revenue.

The Township incurred expenses of \$3,256,270 during the year. The majority of governmental expense is associated with the public safety function, which includes fire and police services.

## Bath Charter Township

### MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

#### **Business-type Activities**

Business-type activities increased the Township's net assets by \$472,238 during fiscal year 2007. The increase in net assets was due to a refund of reserve payments received from the Southern Clinton County Municipal Utility Authority related to the Township's share of a sewer digester project and an increase in the Township's equity interest in SCCMUA due to current year operations. The majority (71%) of the revenue of the business-type activities is generated through user charges.

#### **The Township's Funds**

**Governmental Funds.** The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not Bath Charter Township as a whole. Bath Charter Township's Board of Trustees creates funds to help manage money for specific purposes. The Township's major governmental fund for the fiscal year ended December 31, 2007 was the General Fund.

The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was for public safety, which incurred expenditures of \$1,209,256 for the fiscal year. Public Safety services are partially supported by a police and fire millage, which is recorded in the General Fund.

**Proprietary Funds.** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer System Fund and the Water System Fund at the end of the year amounted to \$3,077,630 and \$110,946, respectively. The changes in net assets for the Sewer System Fund and the Water System Fund for the fiscal year were \$470,053 and \$2,185, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Township's business-type activities.

#### **General Fund Budgetary Highlights**

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendment increases were made to cover unanticipated costs in the General Fund, specifically in the public works function.

#### **Capital Asset and Debt Administration**

**Capital Assets.** At the end of the fiscal year, the Township had approximately \$9,947,000 invested in a broad range of capital assets, including buildings, land, equipment, and utilities. In addition, the Township has made certain investments in roads and drains within Bath Charter Township. These assets are not reported in Bath Charter Township's fund statements because under Michigan law these roads and drains are the property of the Clinton County Road and Drain Commissions, respectively.

As of December 31, 2007, the capital asset amount reflected above included \$283,178 of construction in progress, primarily related to the sewer system project.

#### **Current Economic Factors**

Once again Revenue Sharing will be the significant budgetary concern for the next year. The State of Michigan has not repaired or made significant progress in their budgeting problems and short falls from 2007. As the State works on their 2009 budget, there will most likely be some cuts to Township Revenue Sharing.



Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

With Bath Township's General Fund fund balance increasing each year, the Township will likely take advantage of being able to reserve for some unanticipated capital expenditures for the future. Bath Township could also amend its 2008 budget for anticipated public repairs and upgrades to its roads along with public safety and community promotions. These costs could be as much as 15 to 20 percent of the total fund balance.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Superintendent or Treasurer at the Township Hall.

## **BASIC FINANCIAL STATEMENTS**

Bath Charter Township  
STATEMENT OF NET ASSETS  
December 31, 2007

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 3,333,215	\$ 1,713,246	\$ 5,046,461
Investments	49,953	483,336	533,289
Receivables	1,353,358	274,071	1,627,429
Due from other governmental units	191,454	-	191,454
Prepays	77,651	-	77,651
Internal balances	19,716	(19,716)	-0-
Total current assets	5,025,347	2,450,937	7,476,284
Noncurrent assets			
Investments	49,655	196,776	246,431
Deferred charges	-	68,707	68,707
Investment in SCCMUA	-	2,117,399	2,117,399
Capital assets not being depreciated	1,064,520	283,178	1,347,698
Capital assets, net of accumulated depreciation	2,705,646	5,894,112	8,599,758
Total noncurrent assets	3,819,821	8,560,172	12,379,993
TOTAL ASSETS	8,845,168	11,011,109	19,856,277
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	64,534	1,000	65,534
Accrued liabilities	30,289	-	30,289
Due to other governmental units	824	-	824
Accrued interest payable	19,378	28,974	48,352
Deferred and unearned revenue	1,169,520	214,410	1,383,930
Current portion of compensated absences	22,147	-	22,147
Current portion of long-term debt	142,461	265,000	407,461
Total current liabilities	1,449,153	509,384	1,958,537
Noncurrent liabilities			
Unearned revenue	-	15,194	15,194
Noncurrent portion of compensated absences	66,441	-	66,441
Noncurrent portion of long-term debt	884,914	3,640,000	4,524,914
Total noncurrent liabilities	951,355	3,655,194	4,606,549
TOTAL LIABILITIES	2,400,508	4,164,578	6,565,086
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,742,791	3,657,955	6,400,746
Restricted for other purposes	46,749	-	46,749
Unrestricted	3,655,120	3,188,576	6,843,696
TOTAL NET ASSETS	\$ 6,444,660	\$ 6,846,531	\$ 13,291,191

See accompanying notes to financial statements.

Bath Charter Township  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,094,402	\$ 299,552	\$ 7,622	\$ -	\$ (787,228)	\$ -	\$ (787,228)
Public safety	1,574,985	141,842	-	-	(1,433,143)	-	(1,433,143)
Public works	478,152	-	-	63,762	(414,390)	-	(414,390)
Recreation and cultural	54,277	16,711	-	-	(37,566)	-	(37,566)
Interest expense	54,454	-	-	-	(54,454)	-	(54,454)
Total governmental activities	3,256,270	458,105	7,622	63,762	(2,726,781)	-0-	(2,726,781)
Business-type activities:							
Sewer system	1,245,379	1,218,575	-	5,086	-	(21,718)	(21,718)
Water system	5,000	6,200	-	-	-	1,200	1,200
Total business-type activities	1,250,379	1,224,775	-0-	5,086	-0-	(20,518)	(20,518)
Total government	<u>\$ 4,506,649</u>	<u>\$ 1,682,880</u>	<u>\$ 7,622</u>	<u>\$ 68,848</u>	(2,726,781)	(20,518)	(2,747,299)
General revenues:							
Property taxes					2,090,106	-	2,090,106
State shared revenues					561,490	-	561,490
Investment earnings					126,546	113,629	240,175
Equity interest in SCCMUA operations					-	248,836	248,836
Refund of reserve payments to SCCMUA					-	80,202	80,202
Miscellaneous					16,580	50,089	66,669
Total general revenues					<u>2,794,722</u>	<u>492,756</u>	<u>3,287,478</u>
Change in net assets					67,941	472,238	540,179
Restated net assets, beginning of the year					<u>6,376,719</u>	<u>6,374,293</u>	<u>12,751,012</u>
Net assets, end of the year					<u>\$ 6,444,660</u>	<u>\$ 6,846,531</u>	<u>\$ 13,291,191</u>

See accompanying notes to financial statements.

Bath Charter Township

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,794,508	\$ 520,813	\$ 3,315,321
Investments	99,608	-	99,608
Receivables			
Accounts	1,743	-	1,743
Taxes	1,314,114	-	1,314,114
Special assessments	-	37,501	37,501
Due from other governmental units	94,250	-	94,250
Due from other funds	19,716	-	19,716
Prepays	77,651	-	77,651
<b>TOTAL ASSETS</b>	<b>\$ 4,401,590</b>	<b>\$ 558,314</b>	<b>\$ 4,959,904</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 63,491	\$ 1,043	\$ 64,534
Accrued liabilities	30,289	-	30,289
Due to other governmental units	-	824	824
Deferred revenue	2,455,865	65,270	2,521,135
<b>TOTAL LIABILITIES</b>	<b>2,549,645</b>	<b>67,137</b>	<b>2,616,782</b>
<b>FUND BALANCES</b>			
Reserved for:			
Prepays	77,651	-	77,651
Debt service	-	2,213	2,213
Unreserved			
Designated for capital projects	170,325	25,849	196,174
Undesignated, reported in:			
General fund	1,603,969	-	1,603,969
Special revenue funds	-	463,115	463,115
<b>TOTAL FUND BALANCES</b>	<b>1,851,945</b>	<b>491,177</b>	<b>2,343,122</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,401,590</b>	<b>\$ 558,314</b>	<b>\$ 4,959,904</b>

See accompanying notes to financial statements.

Bath Charter Township

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

December 31, 2007

**Total fund balance - governmental funds** \$ 2,343,122

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 5,932,733	
Accumulated depreciation is	<u>(2,162,567)</u>	
Capital assets, net		3,770,166

Internal Service Funds are used by management to charge the costs  
of certain activities to individual funds. The assets and liabilities  
of the Internal Service Funds are included in the governmental activities  
in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds		17,894
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Certain amounts due from other governmental units are not susceptible to accrual in the governmental funds due to not having met the criteria to be considered available to finance current operations.		97,204
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Long-term receivables are not available to pay for current period expenditures  
and are therefore deferred in the funds. These consist of:

Deferred revenue		1,351,615
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Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the Governmental Funds Balance Sheet.  
Long-term liabilities at year-end consist of:

Compensated absences	(88,588)	
Accrued interest payable	(19,378)	
Bonds and notes payable	<u>(1,027,375)</u>	
		<u>(1,135,341)</u>

<b>Net assets of governmental activities</b>		<u><u>\$ 6,444,660</u></u>
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See accompanying notes to financial statements.

Bath Charter Township

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 2,322,757	\$ -	\$ 2,322,757
Licenses and permits	36,362	122,157	158,519
Intergovernmental	567,951	-	567,951
Charges for services	80,934	24,883	105,817
Fines and forfeits	-	2,119	2,119
Interest and rents	162,555	16,636	179,191
Other	15,841	64,501	80,342
TOTAL REVENUES	3,186,400	230,296	3,416,696
EXPENDITURES			
Current			
General government	972,562	4,064	976,626
Public safety	1,209,256	175,598	1,384,854
Public works	383,864	76,419	460,283
Recreation and cultural	50,536	-	50,536
Debt service	122,356	90,547	212,903
Capital outlay	276,147	33,016	309,163
TOTAL EXPENDITURES	3,014,721	379,644	3,394,365
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	171,679	(149,348)	22,331
OTHER FINANCING SOURCES (USES)			
Capital lease	122,168	-	122,168
Transfers in	-	75,165	75,165
Transfers out	(75,165)	-	(75,165)
TOTAL OTHER FINANCING SOURCES (USES)	47,003	75,165	122,168
NET CHANGE IN FUND BALANCES	218,682	(74,183)	144,499
Fund balances, beginning of year	1,633,263	565,360	2,198,623
Fund balances, end of year	\$ 1,851,945	\$ 491,177	\$ 2,343,122

See accompanying notes to financial statements.

Bath Charter Township

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2007

**Net change in fund balances - total governmental funds** **\$ 144,499**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$	242,279
Depreciation		<u>(239,774)</u>

Excess of capital outlay over depreciation expense	2,505
--	-------

Net effect of disposal of capital assets	(22,355)
--	----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(92,485)
--	----------

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Capital lease	(122,168)
Principal retirement	<u>160,143</u>

Excess of principal retirement over capital lease	37,975
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	(1,694)
(Increase) in accrued compensated absences	<u>(504)</u>

	<u>(2,198)</u>
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<b>Change in net assets of governmental activities</b>	<b><u>\$ 67,941</u></b>
--	-------------------------

See accompanying notes to financial statements.



Bath Charter Township

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2007

	Business-type Activities			Governmental Activities
		Nonmajor Enterprise Fund (Water System)	Total	Internal Service Fund (Employee Sick and Vacation)
	Sewer System			
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,597,300	\$ 115,946	\$ 1,713,246	\$ 17,894
Investments	483,336	-	483,336	-
Receivables				
Accounts	269,125	-	269,125	-
Special assessments	4,946	-	4,946	-
Total current assets	2,354,707	115,946	2,470,653	17,894
Noncurrent assets				
Investments	196,776	-	196,776	-
Deferred charges	68,707	-	68,707	-
Investment in SCCMUA	2,117,399	-	2,117,399	-
Capital assets not being depreciated	283,178	-	283,178	-
Capital assets, net of accumulated depreciation	5,894,112	-	5,894,112	-
Total noncurrent assets	8,560,172	-0-	8,560,172	-0-
<b>TOTAL ASSETS</b>	<b>10,914,879</b>	<b>115,946</b>	<b>11,030,825</b>	<b>17,894</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	1,000	-	1,000	-
Accrued interest payable	28,974	-	28,974	-
Due to other funds	14,716	5,000	19,716	-
Unearned revenue	214,410	-	214,410	-
Current portion of long-term debt	265,000	-	265,000	-
Total current liabilities	524,100	5,000	529,100	-0-
Noncurrent liabilities				
Unearned revenue	15,194	-	15,194	-
Bonds payable	3,640,000	-	3,640,000	-
Total noncurrent liabilities	3,655,194	-0-	3,655,194	-0-
<b>TOTAL LIABILITIES</b>	<b>4,179,294</b>	<b>5,000</b>	<b>4,184,294</b>	<b>-0-</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,657,955	-	3,657,955	-
Unrestricted	3,077,630	110,946	3,188,576	17,894
<b>TOTAL NET ASSETS</b>	<b>\$ 6,735,585</b>	<b>\$ 110,946</b>	<b>\$6,846,531</b>	<b>\$ 17,894</b>

See accompanying notes to financial statements.

## Bath Charter Township

## Proprietary Funds

## STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2007

	Business-type Activities			Governmental Activities
	Sewer System	Nonmajor Enterprise Fund (Water System)	Total	Internal Service Fund (Employee Sick and Vacation)
OPERATING REVENUES				
Charges for services	\$ 1,006,125	\$ 6,200	\$ 1,012,325	\$ -
OPERATING EXPENSES				
Contractual service	833,552	-	833,552	-
Administrative expense	20,000	5,000	25,000	-
Supplies	824	-	824	-
Other	973	-	973	-
Depreciation	202,569	-	202,569	-
TOTAL OPERATING EXPENSES	1,057,918	5,000	1,062,918	-0-
OPERATING INCOME (LOSS)	(51,793)	1,200	(50,593)	-0-
NONOPERATING REVENUES (EXPENSES)				
Equity interest in 2007 SCCMUA operations	248,836	-	248,836	-
Tap in fees	212,450	-	212,450	-
Special assessments	5,086	-	5,086	-
Interest revenue	112,644	985	113,629	-
Paying agent fees	(900)	-	(900)	-
Interest expense	(182,519)	-	(182,519)	-
Amortization of bond issuance costs	(4,042)	-	(4,042)	-
Refund of reserve payments to SCCMUA	80,202	-	80,202	-
Other	50,089	-	50,089	-
TOTAL NONOPERATING REVENUES (EXPENSES)	521,846	985	522,831	-0-
CHANGE IN NET ASSETS	470,053	2,185	472,238	-0-
Net assets, beginning of year	6,265,532	108,761	6,374,293	17,894
Net assets, end of year	\$ 6,735,585	\$ 110,946	\$ 6,846,531	\$ 17,894

See accompanying notes to financial statements.

Bath Charter Township

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2007

	Business-type Activities			Governmental Activities
		Nonmajor Enterprise Fund		Internal Service Fund
	Sewer System	(Water System)	Total	(Employee Sick and Vacation)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from customers	\$ 978,719	\$ 6,200	\$ 984,919	\$ -
Cash paid to suppliers	(834,809)	-	(834,809)	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>143,910</b>	<b>6,200</b>	<b>150,110</b>	<b>-0-</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Tap in fees	212,450	-	212,450	-
Refund of reserve payments to SCCMUA	80,202	-	80,202	-
Other	50,089	-	50,089	-
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>342,741</b>	<b>-0-</b>	<b>342,741</b>	<b>-0-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Special assessments	5,226	-	5,226	-
Interest expense	(184,390)	-	(184,390)	-
Capital acquisitions	(41,202)	-	(41,202)	-
Payments on borrowings	(265,000)	-	(265,000)	-
Paying agent fees	(900)	-	(900)	-
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(486,266)</b>	<b>-0-</b>	<b>(486,266)</b>	<b>-0-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest revenue	112,644	985	113,629	-
Maturities of investments	513,242	-	513,242	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>625,886</b>	<b>985</b>	<b>626,871</b>	<b>-0-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>626,271</b>	<b>7,185</b>	<b>633,456</b>	<b>-0-</b>
Cash and cash equivalents, beginning of year	971,029	108,761	1,079,790	17,894
Cash and cash equivalents, end of year	<u>\$ 1,597,300</u>	<u>\$ 115,946</u>	<u>\$ 1,713,246</u>	<u>\$ 17,894</u>

Bath Charter Township

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2007

	Business-type Activities			Governmental Activities
		Nonmajor Enterprise Fund		Internal Service Fund
	Sewer System	(Water System)	Total	(Employee Sick and Vacation)
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (51,793)	\$ 1,200	\$ (50,593)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	202,569	-	202,569	-
(Increase) in accounts receivable	(216,993)	-	(216,993)	-
Decrease in due from other funds	5,284	-	5,284	-
Increase in accounts payable	540	-	540	-
Increase in due to other funds	14,716	5,000	19,716	-
Increase in unearned revenue	189,587	-	189,587	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 143,910</b>	<b>\$ 6,200</b>	<b>\$ 150,110</b>	<b>\$ -0-</b>

Note: The Township also adjusted its equity interest in 2007 Southern Clinton County Municipal Utilities Authority operations in the Sewer System Fund by \$248,836, to reflect the current year activity at SCCMUA.

See accompanying notes to financial statements.

Bath Charter Township

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 2,017,290</u>
LIABILITIES	
Due to other governmental units	
Federal/State	\$ 14,096
County	17,584
Schools	1,917,015
Clinton Area Transit System	28,208
Due to individuals and agencies	23,681
Due to developers	<u>16,706</u>
TOTAL LIABILITIES	<u>\$ 2,017,290</u>

See accompanying notes to financial statements.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Bath Charter Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an appointed Township Superintendent and an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees and provides services to its residents in many areas including general government, fire protection, law enforcement, and sewer utility services.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Bath Charter Township (primary government) and its component unit, an entity for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government. The Township does not have any discretely presented component units.

BLENDED COMPONENT UNIT

- a. Building Authority - The Building Authority is governed by a five (5) member board appointed by the Township Board. Its purpose is to provide for the acquisition and construction of certain public buildings for the use of the Township.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of Bath Charter Township contain all the funds controlled by the Township Board.

2. Joint Venture

Bath Charter Township is a member of the Southern Clinton County Municipal Utilities Authority (SCCMUA). The purpose of the Authority is to operate, maintain, administer, and manage a sewage disposal system for the benefit of the constituent municipalities.

The governing body of the Authority is appointed by the constituent municipalities, and representation is based upon the purchased capacity of each municipality. Bath Charter Township currently is represented by two (2) of the ten (10) members of the Authority board. The annual budget of the Authority is submitted to the constituent municipalities and must be approved by a 2/3 vote of the members-elect of the Authority.

The members of the Authority and approximate percentage of responsibility are as follows:

Bath Charter Township	17%
DeWitt Charter Township	56%
City of DeWitt	11%
Watertown Township	16%

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

2. Joint Venture - continued

For the year ended December 31, 2007, Bath Charter Township contributed \$793,869 to cover its share of operational costs and reserve activities.

Additionally, an investment in SCCMUA is recorded to reflect the current carrying value at December 31, 2007, of the cumulative effect of SCCMUA operations relating to the Township equity share in the joint venture from inception-to-date. Bath Charter Township had recorded their portion of the initial cost of construction of the Authority facilities as capital assets in the Sewer and Water System (Enterprise) Funds, however the portion of those costs relating to the Water System has been eliminated as the Township transferred ownership of its water system to the Lansing Board of Water & Light during the fiscal year ended December 31, 1999.

3. Related Organizations

The Township participates in the following activity which is considered to be a related organization in relation to the Township due to the Township appointing all of the Board Members of the organization. There is no ongoing day-to-day financial interest or responsibility.

Bath Charter Township Housing Commission - The Township appoints all of the five (5) Commission members. The Township does not have an ongoing day-to-day financial interest or responsibility for the Commission. The Commission operates a low income housing project within the County which is subsidized by HUD in accordance with the U.S. Housing Act of 1937 and is regulated by the Department of HUD.

*Statement on Michigan Governmental Accounting and Auditing No. 5* allows, because the Commission is legally separate and fiscally independent, for the Commission's financial information to be presented within the Township's notes to the financial statements only instead of in the body of the financial statements. The following financial information was obtained from the most recent audited financial statements available of the Commission for their year ended December 31, 2006. A copy of the financial statements is available at the Commission's administrative offices. As of December 31, 2006, the Commission had total assets of \$1,068,947; total liabilities of \$11,202, and total net assets of \$1,057,745. For the year ended December 31, 2006, the Commission had total operating revenues of \$47,576; total operating expenses of \$356,335; and a net decrease in net assets of \$79,115.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Sewer System Fund is used to account for the operations required to provide sewer services to the general public; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

5. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.



NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**6. Basis of Accounting - continued**

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

**7. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The Township employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to September 1, the Superintendent submits a proposed operating budget for the fiscal year commencing the following January 1 to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to November 1, the budget is adopted through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. Formal budgetary integration is employed as a management control device during the year.
- f. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31 are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

**8. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents consist of checking, savings, certificates of deposit with terms of maturity less than 90 days, and investment trust fund accounts. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments include certificates of deposit with terms of maturity greater than 90 days and U.S. government securities. All investments are stated at market value.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

9. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the township from special assessment, and taxes levied that have not been collected.

10. Property Tax

Bath Charter Township bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1 of the year following the levy. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection.

The Township's property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Although the Township's 2007 tax is levied and collectible on December 1, 2007, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of Township operations.

The Township is permitted to levy up to \$5 per \$1,000 of taxable valuation for general governmental service and additional amounts for special and debt services. For the year ended December 31, 2007, the Township levied 3.7939 mills for general governmental services and 3.0000 mills for police and fire services. The total taxable value for the 2006 levy for property within the Township was \$320,528,195.

11. Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

12. Compensated Absences

Township employees are granted sick and vacation leave in varying amounts. In the event of termination, an employee is paid for accumulated sick and vacation time. All employees with accumulated unused sick and vacation time pay at December 31, 2007 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

13. Capital Assets

Capital assets include buildings, equipment, vehicles, and sewer system and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

13. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	15 - 20 years
Buildings and improvements	10 - 50 years
Machinery and equipment	5 - 30 years
Vehicles	2 - 8 years
Sewer system and improvements	15 - 40 years
Flowage rights	50 years

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Deferred and Unearned Revenue

Deferred revenue consists of property taxes for which there is an enforceable claim as of December 31, 2007, but which are levied to finance year 2008 operations and unearned revenue consists of sewer tap-in fees the Township received for services it has not yet provided. Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

16. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2007, the carrying amount of the Township's deposits were \$7,107,790 and the bank balance was \$5,365,126, of which \$403,213 was covered by federal depository insurance. The remaining balance of \$4,961,913 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Investments

As of December 31, 2007, the carrying amounts and market values for the investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>	<u>Percent</u>
Insured or registered for which the securities are held by the Township's agent in the Township's name				
Federal Home Loan Mortgage Corporation	\$ 49,655	6 years	AAA	6.8 %
Federal National Mortgage Association	<u>49,953</u>	3 months	AAA	6.8 %
	99,608			
Uncategorized pooled investment funds	<u>635,873</u>	N/A	N/A	<u>86.4 %</u>
	<u>\$ 735,481</u>			<u>100.0 %</u>

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2007, the Township investment in the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association were rated AAA by Standard and Poor's.

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio by security type to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Custodial credit risk

The Township will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments that are in possession of an outside party by diversifying its investments by institution to ensure that potential losses on individual securities do not exceed the income generated by the remainder of the portfolio.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2007:

	Primary <u>Government</u>	Fiduciary <u>Funds</u>
Cash and cash equivalents	\$ 5,046,461	\$ 2,017,290
Investments - current	533,289	-
Investments - noncurrent	<u>246,431</u>	<u>-</u>
	<u>\$ 5,826,181</u>	<u>\$ 2,017,290</u>

The cash and cash equivalents captions in the basic financial statements include \$200 in petty cash.

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at December 31, 2007, are as follows:

Due to General Fund from:	
Sewer System Fund	\$ 14,716
Water System Fund	<u>5,000</u>
	<u>\$ 19,716</u>

## Bath Charter Township

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED**

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for service transactions that have not cleared as of the balance sheet date.

**NOTE D: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds from:

General Fund \$ 75,165

Transfers are used to move unrestricted General Fund revenues to finance debt service payments that the Township must account for in other funds in accordance with bond ordinance requirements.

**NOTE E: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2007 was as follows:

**Governmental activities**

	Restated Balance <u>Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2007</u>
Capital assets not being depreciated:				
Land	\$ 1,064,520	\$ -	\$ -	\$ 1,064,520
Capital assets being depreciated:				
Land improvements	619,805	46,776	-	666,581
Buildings and improvements	2,135,825	10,588	-	2,146,413
Machinery and equipment	162,727	46,092	-	208,819
Flowage rights	76,017	-	-	76,017
Vehicles	1,615,286	138,823	( 89,713 )	1,664,396
Office equipment and furniture	<u>105,987</u>	<u>-</u>	<u>-</u>	<u>105,987</u>
Total capital assets being depreciated	4,715,647	242,279	( 89,713 )	4,868,213
Less accumulated depreciation for:				
Land improvements	( 355,259 )	( 32,134 )	-	( 387,393 )
Buildings and improvements	( 439,023 )	( 48,001 )	-	( 487,024 )
Machinery and equipment	( 54,782 )	( 13,373 )	-	( 68,155 )
Flowage rights	( 3,041 )	( 1,520 )	-	( 4,561 )
Vehicles	( 1,084,848 )	( 138,147 )	67,358	( 1,155,637 )
Office equipment and furniture	<u>( 53,198 )</u>	<u>( 6,599 )</u>	<u>-</u>	<u>( 59,797 )</u>
Total accumulated depreciation	<u>( 1,990,151 )</u>	<u>( 239,774 )</u>	<u>67,358</u>	<u>( 2,162,567 )</u>
Net capital assets being depreciated	<u>2,725,496</u>	<u>2,505</u>	<u>( 22,355 )</u>	<u>2,705,646</u>
Net capital assets - governmental activities	<u>\$ 3,790,016</u>	<u>\$ 2,505</u>	<u>\$ ( 22,355 )</u>	<u>\$ 3,770,166</u>

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Governmental activities - continued**

Depreciation expense was charged to the following governmental activities:

General government	\$ 28,033
Public safety	190,131
Public works	17,869
Recreation and cultural	<u>3,741</u>
Total depreciation expense	<u>\$ 239,774</u>

**Business-type activities**

	<u>Balance Jan. 1, 2007</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance Dec. 31, 2007</u>
Capital assets not being depreciated:				
Construction in progress	\$ 466,356	\$ -	\$( 183,178 )	\$ 283,178
Capital assets being depreciated:				
Sewer system	9,338,101	183,178	-	9,521,279
Equipment	<u>64,000</u>	<u>41,202</u>	<u>-</u>	<u>105,202</u>
Total capital assets being depreciated	9,402,101	224,380	-0-	9,626,481
Less accumulated depreciation for:				
Sewer system	(3,486,350 )	( 190,426 )	-	( 3,676,776 )
Equipment	<u>( 43,450 )</u>	<u>( 12,143 )</u>	<u>-</u>	<u>( 55,593 )</u>
Total accumulated depreciation	<u>(3,529,800 )</u>	<u>( 202,569 )</u>	<u>-0-</u>	<u>(3,732,369 )</u>
Net capital assets being depreciated	<u>5,872,301</u>	<u>21,811</u>	<u>-0-</u>	<u>5,894,112</u>
Net capital assets - business-type activities	<u>\$ 6,338,657</u>	<u>\$ 21,811</u>	<u>\$( 183,178 )</u>	<u>\$ 6,177,290</u>

**NOTE F: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended December 31, 2007:

	<u>Restated Balance Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2007</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
2000 Building Authority Bonds	\$ 735,000	\$ -	\$ 35,000	\$ 700,000	\$ 35,000
Lease purchase agreement	-	122,168	43,351	78,817	38,149
Lease purchase agreement	283,567	-	66,410	217,157	69,312
General assessments	46,783	-	15,382	31,401	15,653
Accumulated Sick and Vacation	<u>88,084</u>	<u>85,291</u>	<u>84,787</u>	<u>88,588</u>	<u>22,147</u>
	1,153,434	207,459	244,930	1,115,963	180,261

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

**NOTE F: LONG-TERM DEBT - CONTINUED**

	Balance Jan. 1, 2007	Additions	Deletions	Balance Dec. 31, 2007	Amounts Due Within One Year
Business-type Activities					
1973 Revenue Bonds	\$ 950,000	\$ -	\$ 125,000	\$ 825,000	\$ 125,000
2001 Sanitary Sewer Bonds	450,000	-	30,000	420,000	30,000
2004A Sewer Bonds	<u>2,770,000</u>	<u>-</u>	<u>110,000</u>	<u>2,660,000</u>	<u>110,000</u>
	<u>4,170,000</u>	<u>-0-</u>	<u>265,000</u>	<u>3,905,000</u>	<u>265,000</u>
	<u>\$ 5,323,434</u>	<u>\$ 207,459</u>	<u>\$ 509,930</u>	<u>\$ 5,020,963</u>	<u>\$ 445,261</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

General Obligation Bonds

\$900,000 Building Authority Bonds, Series 2000, dated August 1, 2000, due in annual installments ranging from \$35,000 to \$75,000 through May 1, 2020, with interest ranging from 5.5 to 5.8 percent, payable semi-annually.	\$ 700,000
\$3,550,000 Clinton County Sanitary Sewer Disposal System No. 4 Bonds dated November 1, 1973, due in annual installments ranging from \$125,000 to \$175,000 through November 1, 2013, with interest ranging from 4.00 to 5.75 percent, payable semi-annually.	825,000
\$600,000 Clinton County Sanitary Sewer Project Bonds, Series 2001, dated January 1, 2001, due in annual installments ranging from \$30,000 to \$45,000 through November 1, 2019, with interest ranging from 4.5 to 5.20 percent, payable semi-annually.	420,000
\$2,980,000 Bath Township Capital Improvement Bonds, Series 2004A, dated May 19, 2004, due in annual installments ranging from \$110,000 to \$215,000 through November 1, 2024, with interest ranging from 3.0 to 4.6 percent, payable semi-annually.	<u>2,660,000</u>
	<u>\$ 4,605,000</u>

Municipal Purchase Contracts

The following loans are considered municipal purchase contracts, under Act No. 99 PA of 1933, as amended, and are not subject to State of Michigan, Department of Treasury approval:

\$348,128 Fire Truck Lease Purchase Agreement, due in annual installments of \$78,802 through February 11, 2010, with interest of 4.37 percent, payable annually.	\$ 217,157
\$130,054 Police Cars Lease Purchase Agreement, due in annual installments of \$43,351 through February 9, 2009, with interest of 6.60 percent, payable annually.	<u>78,817</u>
	<u>\$ 295,974</u>

Other Long-Term Debt

The Township is assessed for drains at large by Clinton County. The assessment covers the Township's share of installation and usage rights for the drains. General assessments outstanding at year end totaled \$31,401.



Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE F: LONG-TERM DEBT - CONTINUED**

Year Ending December 31,	2000 Building Authority Bonds		Clinton County Sanitary Sewage Project Series 2001 Bonds		Clinton County Sanitary Sewage Disposal System No. 4 Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 35,000	\$ 38,168	\$ 30,000	\$ 19,770	\$ 125,000	\$ 41,750
2009	35,000	36,243	30,000	18,420	125,000	34,563
2010	40,000	34,180	30,000	17,070	125,000	27,375
2011	45,000	31,842	30,000	15,705	125,000	20,188
2012	45,000	29,367	30,000	14,310	150,000	13,000
2013-2017	285,000	103,265	185,000	46,038	175,000	7,000
2018-2022	215,000	18,855	85,000	4,540	-	-
2023-2024	-	-	-	-	-	-
	<u>\$ 700,000</u>	<u>\$ 291,920</u>	<u>\$ 420,000</u>	<u>\$ 135,853</u>	<u>\$ 825,000</u>	<u>\$ 143,876</u>

  

Year Ending December 31,	Bath Township Capital Improvement Bonds Sewer System Project Series 2004A		Lease Purchase Agreements		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 110,000	\$ 111,645	\$ 107,461	\$ 14,692	\$ 407,461	\$ 226,025
2009	115,000	108,345	113,009	9,145	418,009	206,716
2010	120,000	104,608	75,504	3,299	390,504	186,532
2011	125,000	100,408	-	-	325,000	168,143
2012	130,000	95,720	-	-	355,000	152,397
2013-2017	730,000	395,501	-	-	1,375,000	551,804
2018-2022	910,000	223,028	-	-	1,210,000	246,423
2023-2024	420,000	29,210	-	-	420,000	29,210
	<u>\$ 2,660,000</u>	<u>\$ 1,168,465</u>	<u>\$ 295,974</u>	<u>\$ 27,136</u>	<u>\$ 4,900,974</u>	<u>\$ 1,767,250</u>

**Accrued Sick and Vacation**

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$88,588 at December 31, 2007. The amounts of \$22,147 and \$66,441 have been reported as current and noncurrent liabilities, respectively.

**NOTE G: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedule shown as required supplementary information to the basic financial statements, the Township's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

**NOTE G: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED**

During the year ended December 31, 2007, the Township incurred expenditures in the General Fund and one (1) Special Revenue Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Capital Outlay	\$ 200,844	\$ 276,147	\$ 75,303
Street Lighting Fund	52,000	59,230	7,230

The variance noted in the General Fund was the result of proposed audit adjustments.

**NOTE H: RETIREMENT PLAN**

**TOWNSHIP GENERAL**

The Township participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries.

The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

**Funding Policy**

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's collective bargaining units and requires no contribution from the employees. The Township is required to provide amounts necessary to fund the system.

**Annual Pension Cost**

For year ended December 31, 2007, the Township's annual pension cost of \$103,319 for the plan was equal to the Township's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation as of December 31, 2005, using the entry age normal actuarial method. Actual required contributions were based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 8.40% per year, depending on age, attributable to seniority/merit and promotional salary increases and the assumption that benefits will increase 2.5% annually for persons under Benefit E-1 or E-2. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

**NOTE H: RETIREMENT PLAN - CONTINUED**

Three (3) year trend information

	Year Ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial value of assets	\$ 1,925,438	\$ 2,161,518	\$ 2,432,556
Actuarial Accrued Liability (entry age)	2,372,352	2,698,509	3,227,435
Unfunded (overfunded) AAL	446,914	536,991	794,879
Funded ratio	81 %	80 %	75 %
Covered payroll	858,316	905,081	943,141
UAAL as a percentage of covered payroll	52 %	59 %	84 %
	Year Ended December 31,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 93,821	\$ 97,040	\$ 103,319
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

**BOARD MEMBERS**

Plan Description

Bath Charter Township is the sponsor of a defined contribution retirement plan for the sole benefit of the Board Members for the Township. The Bath Charter Township Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on a preestablished wage-based contribution schedule with the Township contributing 100% of the amount. Employees may elect to contribute additional amounts ranging from 1 to 10 percent of their compensation. During the year ended December 31, 2007, Bath Charter Township made contributions for all eligible participating employees equal to 10% of their base compensation. To be eligible to participate, an employee must be full-time, eighteen (18) years of age, and have completed three (3) months of services. The eligibility computation period is in the three (3) month period that begins with the date hired.

**NOTE I: RISK MANAGEMENT**

The Township participates in a pool, the Michigan Township Participating Plan, with other municipalities for auto, property, wrongful acts, law enforcement, boiler, crime, bond, and liability losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE J: FUND EQUITY RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the Township has set aside for specific purposes.

The following are the various fund balance reserves as of December 31, 2007:

General Fund	
Reserved for prepaids	\$ <u>77,651</u>
Nonmajor governmental funds	
Reserved for debt service	\$ <u>2,213</u>

The following are the fund balance designations as of December 31, 2007:

General Fund	
Designated for capital projects	\$ <u>170,325</u>
Nonmajor governmental funds	
Designated for capital projects	\$ <u>25,849</u>

**NOTE K: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2007:

Governmental activities	
Restricted for other purposes:	
Street lighting	\$ 29,875
Drug forfeiture	<u>16,874</u>
	\$ <u>46,749</u>

**NOTE L: SUBSEQUENT EVENT**

On January 7, 2008, the Township borrowed \$269,434 for the purpose of funding construction costs of a new fire truck. This debt is to be repaid from resources available in the General Fund, including accumulated fund balance.

**NOTE M: RELATED PARTY TRANSACTIONS**

The Township purchases police and fire equipment from Alert Emergency Equipment. One of the Township's trustees is a sales representative for Alert Emergency Equipment. However, he is not the sales representative for the Township. Total payments made to the Alert Emergency Equipment for the year ended December 31, 2007 were \$7,332.

**NOTE N: RESTATEMENT OF NET ASSETS**

Beginning net assets were restated to recognize amounts due from other governmental units (\$89,627); unrecorded flowage rights, net of accumulated depreciation (\$72,976); and unrecorded long-term debt (\$46,783). Beginning net assets for governmental activities were increased by \$115,820.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## Bath Charter Township

## General Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current property taxes				
General	\$ 1,213,726	\$ 1,213,726	\$ 1,163,026	\$ (50,700)
Police and fire	959,746	959,746	965,175	5,429
Other	54,000	54,000	59,713	5,713
Payments in lieu of taxes	500	500	-	(500)
Trailer taxes	2,700	2,700	2,254	(446)
Tax collection fees	105,000	105,000	132,589	27,589
Total taxes	2,335,672	2,335,672	2,322,757	(12,915)
Licenses and permits				
Franchise fees	32,000	32,000	36,362	4,362
Intergovernmental				
State shared revenue	560,000	560,000	553,913	(6,087)
METRO Act	-	-	7,622	7,622
Liquor licenses	4,000	4,000	6,416	2,416
Total intergovernmental	564,000	564,000	567,951	3,951
Charges for services				
Administration fees	25,000	25,000	25,000	-0-
Court fees	50,000	50,000	35,084	(14,916)
Park and recreation fees	15,000	15,000	16,711	1,711
Fire fees	-	-	621	621
Police fees	2,100	2,100	3,079	979
Other	1,000	1,000	439	(561)
Total charges for services	93,100	93,100	80,934	(12,166)
Interest and rents				
Interest - regular	45,000	45,000	101,301	56,301
Interest - tax collections	5,000	5,000	8,609	3,609
Rental fees	35,000	35,000	52,645	17,645
Total interest and rents	85,000	85,000	162,555	77,555
Other				
Refunds and rebates	1,000	1,000	9,570	8,570
Reimbursements	4,000	4,000	384	(3,616)
Other revenue	2,000	2,000	5,887	3,887
Total other	7,000	7,000	15,841	8,841
TOTAL REVENUES	3,116,772	3,116,772	3,186,400	69,628

## Bath Charter Township

## General Fund

## BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Township board	\$ 244,355	\$ 244,355	\$ 217,161	\$ 27,194
Supervisor	15,700	15,700	11,903	3,797
Superintendent	103,600	103,600	96,926	6,674
Elections	14,950	14,950	12,995	1,955
Assessor	140,443	140,443	134,435	6,008
Clerk	132,377	132,377	119,471	12,906
Board of Review	2,942	2,942	1,518	1,424
Treasurer	147,790	147,790	140,724	7,066
Building and grounds	107,430	107,430	102,334	5,096
Senior center	33,671	33,671	22,129	11,542
Other	119,000	120,920	112,966	7,954
Total general government	1,062,258	1,064,178	972,562	91,616
Public safety				
Police department	1,106,648	1,106,648	1,027,334	79,314
Fire department	203,469	203,469	181,922	21,547
Total public safety	1,310,117	1,310,117	1,209,256	100,861
Public works				
Department of public works	326,097	386,097	383,864	2,233
Recreation and cultural				
Parks and recreation	71,338	71,338	50,536	20,802
Debt service				
Principal	110,756	110,756	109,761	995
Interest	12,595	12,595	12,595	-0-
Total debt service	123,351	123,351	122,356	995
Capital outlay	200,844	200,844	276,147	(75,303)
TOTAL EXPENDITURES	3,094,005	3,155,925	3,014,721	141,204
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	22,767	(39,153)	171,679	210,832

## Bath Charter Township

## General Fund

## BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Capital lease	\$ -	\$ -	\$ 122,168	\$ 122,168
Transfers out	(75,180)	(75,180)	(75,165)	15
TOTAL OTHER FINANCING SOURCES (USES)	(75,180)	(75,180)	47,003	122,183
NET CHANGE IN FUND BALANCE	(52,413)	(114,333)	218,682	333,015
Fund balance, beginning of year	1,633,263	1,633,263	1,633,263	-0-
Fund balance, end of year	<u>\$ 1,580,850</u>	<u>\$ 1,518,930</u>	<u>\$ 1,851,945</u>	<u>\$ 333,015</u>



## **OTHER SUPPLEMENTARY INFORMATION**

Bath Charter Township  
Nonmajor Governmental Funds  
COMBINING BALANCE SHEET  
December 31, 2007

	Special		
	Police Training	Street Lighting	Drug Forfeiture
ASSETS			
Cash and cash equivalents	\$ 3,884	\$ 52,781	\$ 16,874
Special assessments receivable	-	28,510	-
TOTAL ASSETS	<u>\$ 3,884</u>	<u>\$ 81,291</u>	<u>\$ 16,874</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other governmental units	-	-	-
Deferred revenue	-	51,416	-
TOTAL LIABILITIES	-0-	51,416	-0-
FUND BALANCES			
Reserved for debt service	-	-	-
Unreserved			
Designated for capital projects	-	-	-
Undesignated, reported in			
Special revenue funds	3,884	29,875	16,874
TOTAL FUND BALANCES	<u>3,884</u>	<u>29,875</u>	<u>16,874</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,884</u>	<u>\$ 81,291</u>	<u>\$ 16,874</u>

Revenue			Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Cemetery	Building and Zoning	Budget Stabilization	Debt Service	Capital Improvement	
\$ 59,101	\$ 171,201	\$ 183,014	\$ 2,213	\$ 31,745	\$ 520,813
-	-	-	-	8,991	37,501
<u>\$ 59,101</u>	<u>\$ 171,201</u>	<u>\$ 183,014</u>	<u>\$ 2,213</u>	<u>\$ 40,736</u>	<u>\$ 558,314</u>
\$ -	\$ 834	\$ -	\$ -	\$ 209	\$ 1,043
-	-	-	-	824	824
-	-	-	-	13,854	65,270
-0-	834	-0-	-0-	14,887	67,137
-	-	-	2,213	-	2,213
-	-	-	-	25,849	25,849
59,101	170,367	183,014	-	-	463,115
59,101	170,367	183,014	2,213	25,849	491,177
<u>\$ 59,101</u>	<u>\$ 171,201</u>	<u>\$ 183,014</u>	<u>\$ 2,213</u>	<u>\$ 40,736</u>	<u>\$ 558,314</u>

Bath Charter Township

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2007

	Special		
	Police Training	Street Lighting	Drug Forfeiture
REVENUES			
Licenses and permits	\$ -	\$ -	\$ -
Charges for services	-	-	-
Fines and forfeits	-	-	2,119
Interest	173	3,895	693
Other			
Special assessments	-	49,220	-
Other	-	-	717
TOTAL REVENUES	173	53,115	3,529
EXPENDITURES			
Current			
General government	-	-	-
Public safety	1,415	-	184
Public works	-	59,230	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	1,415	59,230	184
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,242)	(6,115)	3,345
OTHER FINANCING SOURCES			
Transfers in	-	-	-
NET CHANGE IN FUND BALANCES	(1,242)	(6,115)	3,345
Fund balances, beginning of year	5,126	35,990	13,529
Fund balances, end of year	\$ 3,884	\$ 29,875	\$ 16,874

Revenue			Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Cemetery	Building and Zoning	Budget Stabilization	Debt Service	Capital Improvements	
\$ -	\$ 122,157	\$ -	\$ -	\$ -	\$ 122,157
17,453	7,430	-	-	-	24,883
-	-	-	-	-	2,119
2,657	7,855	-	92	1,271	16,636
-	-	-	-	14,542	63,762
-	22	-	-	-	739
20,110	137,464	-0-	92	15,813	230,296
4,064	-	-	-	-	4,064
-	173,999	-	-	-	175,598
-	-	-	-	17,189	76,419
31,051	-	-	-	1,965	33,016
-	-	-	75,165	15,382	90,547
35,115	173,999	-0-	75,165	34,536	379,644
(15,005)	(36,535)	-0-	(75,073)	(18,723)	(149,348)
-	-	-	75,165	-	75,165
(15,005)	(36,535)	-0-	92	(18,723)	(74,183)
74,106	206,902	183,014	2,121	44,572	565,360
\$ 59,101	\$ 170,367	\$ 183,014	\$ 2,213	\$ 25,849	\$ 491,177

Bath Charter Township

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2007

	Current Tax Collections	Trust and Agency	Total
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ 1,992,368</u>	<u>\$ 24,922</u>	<u>\$ 2,017,290</u>
<b>LIABILITIES</b>			
Due to other governmental units			
Federal/State	\$ 14,096	\$ -	\$ 14,096
County	15,651	1,933	17,584
Schools	1,917,015	-	1,917,015
Clinton Area Transit System	28,208	-	28,208
Due to individuals and agencies	17,398	6,283	23,681
Due to developers	-	16,706	16,706
<b>TOTAL LIABILITIES</b>	<u>\$ 1,992,368</u>	<u>\$ 24,922</u>	<u>\$ 2,017,290</u>

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA



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MANAGEMENT LETTER

To the Board of Trustees  
Bath Charter Township  
Bath, Michigan

As you know, we have recently completed our audit of the records of Bath Charter Township as of and for the year ended December 31, 2007. In connection with the audit, we feel that a certain change in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is a result of our evaluation of the internal control and our discussions with management.

The Board should evaluate the use of the Employee Sick and Vacation internal service fund.

During the course of our audit, and through discussions with management, it was noted that the Township maintains an internal service fund for the purpose of providing financial resources related to its liability for employee sick and vacation leave accrued. However, the obligations for accrued sick and vacation leave are not paid out of this fund nor is the liability recorded in it. This issue was noted and reported in our audit comments for the prior year.

We suggest the Township Board review this fund and evaluate its necessity. If it is not the Township's intention to use the internal service fund for compensated absence activity, the Board should consider closing this fund by transferring its assets to other funds of the Township which are used to pay compensated absences as they come due.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements. This condition did not affect our report on the financial statements dated June 11, 2008.

This report is intended solely for the information of management and the Board of Trustees of Bath Charter Township and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 11, 2008

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS**

To the Board of Trustees  
Bath Charter Township  
Bath, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Bath Charter Township, Michigan as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bath Charter Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We identified the following control deficiencies that we consider be significant deficiencies in internal control over financial reporting:

#### PREPARATION OF FINANCIAL STATEMENTS

Effective for all audits of fiscal years ended December 31, 2006 and thereafter, Statement on Auditing Standards No. 112 titled *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate when a client requires assistance in the preparation of financial statements and the related footnotes that are required in accordance with accounting principles generally accepted in the United States of America. Throughout the year the Township prepares monthly financial reporting at the fund level. However, the annual audited financial statements for the year ended December 31, 2007 for the Township required significant audit adjustments.



## PREPARATION OF FINANCIAL STATEMENTS - CONTINUED

The staff at Bath Charter Township understands substantially all of the information included in the financial statements, and as such are able to take responsibility for the content. However, the presentation of financial statements in accordance with generally accepted accounting principles also includes the preparation of government-wide financial statements and note disclosures. Currently the government-wide financial statements and note disclosures are prepared during the audit process.

We are communicating these circumstances as required by professional standards, and do not see a need for any change in the situation at this time.

## MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries for the adjustment of accounts receivable and deferred revenue were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the Township's internal controls.

We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the significant deficiency of Material Journal Entries Proposed by Auditors stated above to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance:

### BUDGETS

As noted in the financial statements, some of the activities and funds of the Township exceeded the amounts appropriated. The variances noted were in the General Fund and one Special Revenue Fund (Street Lighting). The variance noted in the General Fund was the result of proposed audit adjustments (i.e., proposed journal entries).

Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We recommend the Township monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

In addition, we noted other matters involving internal control and its operation that we have reported to management of the Township in a separate letter dated June 11, 2008.

This report is intended solely for the information and use of management and Members of the Board of Trustees of Bath Charter Township, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 11, 2008